



**Metro District Energy System Advisory Board  
Regularly Scheduled Meeting of  
August 18, 2005**

**Minutes of Meeting**

The meeting was held at the DES Energy Generation Facility, 90 Peabody Street Nashville, TN 37210.

**Facilitators:** Harvey Gershman, DES Project Administrator and President, GBB and Michael Bradley, Metro DES Liaison

**Board Members Present:**

J.B. Loring Chair

Doug Uphoff- Vice Chair

Phil Ryan

Joe Sweat

Nancy Whittemore

Yuri Cunza

Thomas Turner

**Board Members not Present:**

David Manning (Represented by Michael Bradley)\*

Charles Harrison (Represented by Mary Ann Queen)

\* Designee as provided by Executive Order

**Others Present:**

David Seader, GBB

Bob Lackey, Metro Finance

Terry Underwood, GSP

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Chair, J.P. Loring, presided over the meeting, and called the meeting to order at 10:02 A.M.

A motion was made by Board Member Tom Turner to approve the minutes of the last meeting held May 19, 2005. The motion was unanimously seconded, and was passed on a unanimous voice vote.

The Chair recognized that several Board Members were absent and asked for a roll call and introductions of designees attending on behalf of certain Board Members. These were: Michael Bradley, representing Board Member David Manning and Mary Ann Queen, representing Board Member Charles Harrison.

Mr. Gershman and Mr. Seader began the presentation with a review of the comparison of NTTC invoices and DES invoices. Summary information was presented which reflected calendar year comparisons of steam and chilled water unit costs between 2004 vs. 2003. The information reflects an overall increase in steam rates of approximately 13%, and an overall reduction in chilled water rates of about 3%, respectively.

Mr. Seader stated that much of the rate increase for steam was attributable to much higher natural gas prices over the last two years. He then discussed the projected 2005 costs vs. the 2004 unit costs. These projections show steam unit costs increasing by approximately 28% and chilled water unit costs increasing by approximately 7.6%. Again, Mr. Seader attributed these increases to the increasing costs of natural gas and electricity.



Mr. Gershman then reviewed operations monitoring reports with the Board. He stated that certain trends were present during 2005. These included warmer than normal during the heating season and cooler than normal during

the cooling season. Both steam and chilled water sales were down from the previous year. Also, it appears that natural gas and electricity use are both trending down, due to lower sales. The steam production efficiency is trending down due to condensate loss. The chilled water efficiency rate is holding steady or flat.

A series of operations and performance measurement charts were reviewed by Mr. Gershman. These included steam and chilled water sales and send-out, and steam and chilled water loss rates. Mr. Gershman commented that there was a chilled water leak that the contractor had been trying to locate, but thus far had not been able to find. Efforts to locate would continue. He reported that all performance measures were within the contract guarantees of the contract with the operator.

The Energy Generation Facility maintenance status was reviewed by Mr. Gershman. The plant has an automated preventive maintenance program called "IMAIN" which helps manage the service work on the major equipment. The boilers have been inspected and are ready for the heating season. Mr. Gershman reported that the plant was in excellent condition with no unusual maintenance required.

Mr. Seader led the discussion of the elements of the recommended FY 2005-2006 budget, and reviewed the areas of increase and the basis for the increases. Expected natural gas cost increase makes up the largest portion of the budget increase. A review was made of the natural gas costs, the reallocation of water and chemical costs, and the annual true up of 2005 charges. This figure will be approximately \$71,000, which is one half of one percent of all charges. This low true up number represents a very accurate application of the costs for the year.

Mr. Seader gave an explanation of the Metro Funding Amount (MFA) within the budget. This is the portion of expenses that Metro must assume over the revenue generated by the customer payments. Board Member Joe Sweat asked for clarification on where the Metro funding amount comes from and who pays this part. Mr. Seader indicated that this amount was paid by Metro Government. For FY 2005-2006, this amount is estimated to be \$2,124,157. The MFA for FY 2004-2005 was \$1,387,558.

Discussion followed the budget presentation on several points, including the purchase of natural gas and the locking in of prices at present rates. Mr. Gershman indicated that the DES gas contractor will be advising DES on additional price locks within the coming weeks, and based upon these recommendations, there may be additional purchases, but not over 80% at any time. At present, DDES has 67% of gas prices locked through May 2006 at an average price of \$7.74 per Dth.

Mr. Gershman presented a capital projects summary to the Board. The projects include both new construction projects and repair projects. The Nashville Symphony, Beverly Briley Building, Main Library, and Viridian Towers are all new connections to DES. Other projects include the Customer Metering, TN Towers Decoupling, and Renaissance Piping Reconfiguration.

Mr. Gershman and Mr. Terry Underwood then reviewed the status of energy distribution system (EDS) repair and replacement projects including; steam and condensate lines at manhole 18 to manhole L, State Library & Archives condensate line repair, and Parkway Towers steam and condensate service replacement. Mr. Underwood commented that the manhole 18 project had been cancelled due to the contractor not having appropriately bid the work on maintaining the work site. Board Members Loring and Uphoff expressed concern about the advisability of not proceeding with the project, and the potential risk of steam outage due to steam line problems at this location this winter. Mr. Gershman indicated that he had



discussed this risk with the DES contactor, CEPS, and was advised that they did not consider the project to be crucial. Board Chair Loring advised that it might be in the best interest of Metro to receive this opinion in writing from the contractor. Mr. Gershman indicated that he would obtain the written opinion and recommendation of the contractor.

The next item on the agenda addressed the GBB Amendment #3 to their contract with Metro Government for a “not to exceed” cost of \$5,805,825. Mr. Bradley, speaking on behalf of Board Member David Manning, stated that the work of GBB was vital in the planning, oversight and operation of the new District Energy System. The contract’s purpose is to ensure a continued effective service to the customers, and to help Metro manage the needed monitoring of the system, as well as the needed construction projects planned and underway. Mr. Gershman then presented the Board with a detailed description of the duties that have been carried out, the additional design assignments for the EDS, and the on-going responsibilities under the contract through the term of the contract to February 2007. These duties include management of services provide by sub-contractors, such as Gresham Smith Partners, Engineering. In addition, project coordination and development services are needed to ensure continued effective service in the start up years. Budget development, rate structure review and development, and administrative oversight of funds are all important aspects of this continued service.

On a motion by Board Member Phil Ryan, and seconded by Board Member Doug Uphoff and others, the Board voted unanimously to recommend approval of Amendment #3 to the GBB contract.

The next meeting date will be November 17, 2005 at 10 am CST.

Without further discussion, and upon a voice motion, the meeting was adjourned at 11:34 A.M.

Prepared by:

Michael Bradley

Approved: \_\_\_\_\_

Date: \_\_\_\_\_